



## Pennsylvania and Illinois Join States Expanding Insured Health Coverage for Adult Children

*Pennsylvania Governor Ed Rendell has just signed legislation expanding insured group health coverage to adult unmarried children until they reach age 30. A new Illinois law requires insured coverage to be extended to unmarried children until they reach age 26 and to those children who served in the military until age 30. At this time, more than half of the states in the union have taken some action to expand insured dependent coverage.*

### Background

Virtually all health plans, whether insured or self-funded, terminate the coverage of an employee's dependent child when that child attains a specified maximum age. Many plans increase this age limit for children who are full-time students. To reduce the number of uninsured young adults, there has been a growing trend over the past several years for states to enact laws extending the age or expanding the conditions under which children must be covered under their parents' health insurance. In 2006 and 2007, sixteen states passed laws expanding health insurance coverage for children. (See our February 10, 2006 [For Your Information](#).) In 2008, another five states enacted such laws. These state laws are diverse in their approaches – some simply increase the age at which insurers must cover dependents, while others require insurers to offer specific rights to parents and/or their dependents. Some require financial dependence by the child and some require college attendance. Pennsylvania and Illinois are two of the more recent states expanding adult dependent coverage.

### The Pennsylvania Law

Pennsylvania's new law ([SB 189](#)) requires health insurers and HMOs to continue coverage of unmarried children through age 29 at the option of the group health plan policyholder (i.e., the employer).

**Eligibility.** The child must be under age 30, unmarried with no dependents of his or her own, and either a Pennsylvania resident or a full-time college student (no matter where located). There is no requirement that the child be a tax dependent. The child cannot be enrolled in any other health coverage, whether individual, group or government provided, including Medicare. It is unclear whether the extended coverage must be offered to children not currently covered under the employer plan, but who otherwise meet the eligibility requirements.

**Offer of Coverage.** The employer has the option of offering the extended medical coverage to employees. However, dental, vision or other specified coverages and supplements need not be offered by the insurer.

**BUCK COMMENT.** *An earlier version of the legislation required the option to be given to the insured employee, which would have impacted all employers offering insured coverage. Now that it is at the employer's option, for administrative reasons many employers may choose not to offer it.*

**Cost.** The law states that the insurer may determine the increase in premium for the continuation of coverage for adult children over the age of 19, but does not contain any rules regarding how that premium increase should be determined. The employer can pass the full cost on to the employee.

**BUCK COMMENT.** *If the full value of the coverage is not paid by the employee and the adult child receiving the extended coverage does not qualify as the employee's tax dependent, there will be imputed income to the employee.*

**Effective Date.** The law was signed by Governor Rendell on June 10, 2009. It applies to all contracts, policies or plans issued or renewed 180 days after that date. Thus, for a January 1 contract, the law will apply to the January 1, 2010 renewal.

## The Illinois Law

An Illinois law ([Public Act 095-0958](#)), which was enacted in the Fall of 2008 but is effective for policies issued or renewed on or after June 1, 2009, requires insurance contracts to cover unmarried adult children as dependents under their parent's insured health coverage until they reach age 26. It also allows those adult children who have served in the military to be included as dependents under their parents' group coverage until they reach age 30.

**BUCK COMMENT.** *While not an age-related extension, the law also includes a provision requiring continuation of coverage for a dependent college student that takes a medical leave of absence from college or reduces his or her course load to part-time status due to a catastrophic illness. This is Pennsylvania's version of the federal Michelle's law enacted last year. (See our October 15, 2008 [For Your Information.](#))*

**Eligibility.** The child must be unmarried and under age 26, but there is no restriction on the child having his or her own dependents nor a requirement for Illinois residency. The law states clearly that eligibility may not be conditioned on student status. As in Pennsylvania, there is no requirement that the child be a tax dependent.

Military personnel eligible to be added or continued on their parents' coverage must be unmarried Illinois residents under age 30. They must have served as an active or reserve member of the U.S. Armed Forces and have been released or discharged other than on a dishonorable basis. A form approved by the Illinois Department of Veterans' Affairs stating the date of release must be submitted to the insurer.

**Offer of Coverage.** Mental, dental and vision coverages are subject to this mandate. The group health plan must offer an initial 90-day open enrollment period to the insured with the eligible dependent, and under the normal

terms of the plan or policy thereafter (e.g., during open enrollment). Enrollment may not be denied due to a preexisting condition.

**BUCK COMMENT.** *For a plan that renews on January 1, the required 90-day enrollment period starts January 1, 2010, and the employer will need to allow the child to enroll during the first 90 days of 2010. Employers should consider allowing employees to add these children during the upcoming open enrollment for the 2010 plan year.*

**Cost.** The employer can require the employee to pay the full cost of the coverage.

**BUCK COMMENT.** *Similar to Pennsylvania, if the full cost of the coverage is not paid by the employee and the adult child receiving the extended coverage does not qualify as the employee's tax dependent, there will be imputed income to the employee.*

**Notice Requirements.** The Illinois law specifies that the insurer is to provide notice of the rights regarding adult dependents to an insured upon enrollment, in the certificate of coverage or other document delivered when coverage begins and in a semi-annual notice.

## Conclusion

These new laws illustrate the patchwork of state requirements that may affect employers offering insured dependent health coverage. Although these laws apply only to insured coverage, many employers will be affected.

Employers with insured plans in Pennsylvania must decide whether to offer the extended coverage to employees' adult children and employers with insured plans in Illinois need to gear up to meet that law's impending requirements. Affected employers should develop communications and other administrative procedures to implement the extended coverage. Employers will also need to consider how they will address the potential imputed income issues if the child is not a tax dependent of the employee and the employee does not pay the full cost of the coverage.

Employers in other states need to be aware of any similar laws that may apply to them currently or under future legislation. Buck's consultants continue to monitor these and other state developments and would be pleased to discuss how these and other state laws of this type might affect the administration of your health benefits.

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*This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.*